

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CONSUMERS WATER)
DISTRICT, OF GRAVES COUNTY, KENTUCKY,)
FOR A CERTIFICATE OF CONVENIENCE AND)
NECESSITY, AUTHORIZING SAID DISTRICT) CASE NO. 97-223
TO EXTEND A WATER MAIN IN ORDER TO)
PURCHASE WATER FROM MAYFIELD ELECTRIC)
AND WATER SYSTEM AND SEEKING APPROVAL)
OF A RATE INCREASE)

O R D E R

On May 22, 1997, Consumers Water District ("Consumers") filed its application for Commission approval of proposed water rates. Commission Staff, having performed a limited financial review of Consumers' operations, has prepared the attached Staff Report containing Staff's findings and recommendations regarding the proposed rates. All parties should review the report carefully and provide any written comments or requests for a hearing or informal conference no later than 10 days from the date of this Order.

IT IS THEREFORE ORDERED that all parties shall have no more than 10 days from the date of this Order, or 90 days after the date the application was filed, whichever is later, to provide written comments regarding the attached Staff Report or requests for a hearing or informal conference. If no request for a hearing or informal conference is received, this case will be submitted to the Commission for a decision.

Done at Frankfort, Kentucky, this 7th day of November, 1997.

ATTEST:


Executive Director

PUBLIC SERVICE COMMISSION


For the Commission

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TO EXTEND A WATER MAIN IN ORDER TO) 97-223
PURCHASE WATER FROM MAYFIELD ELECTRIC)
AND WATER SYSTEM AND SEEKING APPROVAL)
OF A RATE INCREASE)

STAFF REPORT

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STAFF REPORT

ON

CONSUMERS WATER DISTRICT

CASE NO. 97-223

A. Preface

On April 21, 1997, the Consumers Water District ("Consumers") submitted an application for a Certificate of Public Convenience and Necessity ("Certificate") to construct a \$136,000 water main and booster station to purchase water from the Mayfield Electric and Water Systems ("Mayfield"), for approval of the proposed plan of financing, and for an increase in water rates. However, due to filing deficiencies, Consumers' application was not considered filed until May 22, 1997. Consumers' proposed rates would produce additional annual water revenues of \$90,000, an increase of 46.6 percent over Commission Staff's (Staff's) normalized test period water revenues of \$195,313.

In order to evaluate the requested water rate increase, Staff performed a limited financial review of Consumers' test-period operations for the 1996 calendar year. Mark Frost of the Commission's Division of Financial Analysis and Sam Reid of the Commission's Division of Rates and Research performed the limited review on June 12 and 13, 1996. Mr. Frost is responsible for the preparation of this Staff Report except for the determination of Normalized Operating Revenue; Rate Design; Attachment A, Billing Analysis; and Attachment B, Cost of Service Study, which were prepared by Sam Reid. Based on the findings contained in this report, Staff recommends that Consumers be granted an increase in water revenues of \$74,760.

Scope

The scope of the review was limited to obtaining information to determine whether the 1996 operating revenues and expenses were representative of normal operations. Insignificant or immaterial discrepancies were not pursued and are not addressed herein.

B. Analysis of Operating Revenues and Expenses

Normalized Operating Revenue

Consumers 1996 Annual Report reported total operating revenue for the test period of \$199,158. Of this amount, Consumers reported \$193,854 as revenue from water sales and \$5,304 as other water revenues. Other water revenues are comprised of \$4,419 in customer late payment charges and \$885 in customer service charges. A billing analysis filed by Consumers in its original application produced revenue from test-period actual water sales in the amount of \$190,108.

Utilizing Consumers' billing records Staff prepared a detailed billing analysis, summarized in Attachment A, which produced \$195,313 from normalized test-period water sales. For the purposes of this Staff Report, total revenue from water sales shall be considered to be \$195,313.

Operating Expenses

In its application, Consumers reported actual and pro forma test-period operating expenses of \$191,981 and \$259,638, respectively. The following are Staff's recommended adjustments to Consumers' actual test-period operations and discussions of the proposed pro forma adjustments:

Salaries & Wages - Employees: Consumers' 1996 salaries and wages - employees expense was \$15,636, which is the salary paid to Consumer's office manager. In its June 30, 1997 letter, Consumers informed Staff that at some later date its office manager would be given a pay raise within the range of 3 to 5 percent.

During the course of the field review, Staff advised Consumers that the rate-making criteria of "known and measurable" would be used to evaluate pro forma adjustments. An adjustment based on documented cost increases would constitute a known and measurable adjustment. An adjustment to recognize the office manager's pay raise would fail to meet this rate-making criteria because the effective date and the actual percentage of the pay raise is uncertain.

The office manager's current salary is \$1,298 per month or \$15,576 annually, \$60 less than the amount reported by Consumers. Accordingly, Staff recommends that salaries and wages - employee expense be decreased by that amount.

Salaries & Wages - Commissioners: Consumers proposed a pro forma level of salaries and wages - commissioners expense of \$4,800, an increase of \$1,800 over the test period level of \$3,000. Consumers currently has three commissioners on its board but only two are compensated. In 1997 Consumers increased the commissioner fee from \$150 to \$200 per month, which is the basis for this proposed adjustment.

According to KRS 74.020(6), "a water district commissioner shall receive an annual salary of not more than \$3,600." Since the 1997 annual commissioner salary of

\$2,400 is below the amount established by KRS 74.020(6), Staff recommends that Consumers' proposed adjustment be accepted.

Employee Pensions and Benefits: Consumers reported a test-period employee pension and benefit expense of \$1,862, which is the employee retirement account contribution. In May 1996 Consumers' contribution to the employee retirement account was increased from \$157 to \$162 per month. An adjustment to reflect the increased contribution would meet the rate-making criteria of known and measurable and therefore, employee pension and benefit expense has been increased by \$82 to reflect the annual contribution of \$1,944.

Purchased Water: Consumers proposed a pro forma level of purchased water expense of \$113,775. During 1996 Consumers operated 2 well fields and produced 100 percent of its water. Because its current raw water supply is unreliable, Consumers proposed to close its well field and to purchase 100 percent of its water from Mayfield, which is the basis for this adjustment.

By its Order dated August 1, 1997, the Commission granted Consumers a Certificate to construct the water main to Mayfield. Therefore, an adjustment to reflect the cost to purchase water from Mayfield would meet the rate-making criteria of known and measurable. However, in its June 30, 1997 letter, Consumers explained that it now intends to purchase between 60 to 90 percent of its water from Mayfield.

Staff believes that it would be reasonable to expect Consumers to purchase somewhere within the 60 to 90 percent range during its transition from water producer

to purchaser. Using 75 percent, the mid-point of the proposed range, the amount of water Consumers produced in 1996, and Mayfield's current water rate schedule, Staff arrived at its pro forma purchased water expense of \$86,210. Therefore, test-period operating expenses have been increased by that amount.

Purchased Power: Consumers proposed a pro forma level of purchased power expense of \$2,500, a decrease of \$11,988 from its test period level of \$14,488. In its application, Consumers proposed to close its well fields and to purchase all of its water from Mayfield. This proposed adjustment reflects eliminating the electric used at the well fields and including the engineer's estimated cost to pump the water from Mayfield.

Since Consumers intends to produce a portion of its water for the foreseeable future, it is reasonable to expect that some level of purchased power expense will be incurred at the well fields. Staff has determined that the pro forma purchased power expense should be \$6,023¹ based on a 75 percent reduction in Consumers test-period water production. Therefore purchased power expense has been decreased by \$8,465.

Chemicals: Consumers proposed to eliminate its reported chemical expense of \$23,656 from its pro forma operating expenses, which is based on Consumers' proposal

¹	\$14,074 (Well Field Elec.) * 102,112,000 (Gal. Prod.) =	\$ 0.000138
	Times: Pro Forma Water (102,112,000 x 25%) =	<u>x 25,528,000</u>
	Pro Forma Purchased Power for Well Field	\$ 3,523
	Add: Estimated Power to Pump Water	+ 2,500
	Pro Forma Purchased Power Expense	<u>\$ 6,023</u>

to discontinue its water production. As with purchased power it is reasonable to expect that some level of chemical expense will continue to be incurred in the future.

Based on a 75 percent reduction in Consumers test-period water production, Staff arrived at its recommended chemical expense of \$5,922.² Therefore chemical expense has been decreased by \$17,734 to achieve Staff's recommended level.

Materials and Supplies: Consumers' 1996 materials and supplies expense was \$8,639. Staff analyzed the test-period invoices and determined that the following meter related costs are capital expenditures that should be depreciated rather than expensed:

2 1 Inch Meters	\$ 196
5/8 x 3/4 Inch Meter Yokes	\$ 926
6 Kent Water Meters	\$ 197
1 Meter Yoke and Brass Saddle	\$ 196
12 Meter Boxes and Brass Saddles	\$ 308
12 Meter Yokes	\$ 622
12 Meter Yokes	\$ 611
18 Concrete Meter Boxes	\$ 315
18 Meter Yokes and Supplies	\$ 1,348
2 Brass Saddles	\$ 239
6 Brass Saddles	\$ 152
Meter Yokes and Boxes	\$ 1,234

The depreciation schedule attached to the application shows that Consumers is depreciating its meters over 40 years. Removing the cost of the meters from test-period operating expenses and depreciating them over 40 years results in a decrease to

² $\$23,656 \text{ (Chemical Exp.)} \div 102,112,000 \text{ (Gal. Prod.)} = \$ 0.000232$
Times: Pro Forma Water (102,112,000 x 25%) = x25,528,000
Pro Forma Chemical Expense \$ 5,922

materials and supplies expense of \$6,344 and an increase to depreciation expense of \$159.³

Contractual Services: Consumers proposed a pro forma level of contractual services expense of \$44,360, a reduction of \$8,556 from its test-period level of \$52,916. During 1996 Mayfield provided Consumers with certified water plant operators and with management support for a fee of \$1,596 per month. Because of the proposed changes in Consumers operations, Mayfield decreased its monthly fee from \$1,596 to \$883, which is the basis for this proposed adjustment.

Mayfield's \$883 monthly fee is within a reasonable range for the services being provided, and an adjustment based on the decreased fee would meet the rate-making criteria of being known and measurable. Therefore Staff recommends that Consumers' proposed adjustment be accepted.

During 1996, Consumers' meter reader received \$0.65 per meter which resulted in an annual payment of \$10,694. Using the meter reading fee of \$0.65 per meter and the number of bills in its billing analysis, Staff arrived at its recommended meter reading fee of \$10,824, or \$130 greater than the amount Consumers reported in 1996. Therefore, contractual services expense has been increased by \$130.

Upon review of the 1996 invoices Staff determined that Consumers had paid an outside contractor \$5,180 for meter installations. The cost to install a meter is a capital

³ \$6,344 (Meter Related Costs) ÷ 40 Years = \$159.

expenditure that should be depreciated rather than expensed. Removing the labor cost incurred to install the meters and depreciating it over 40 years results in a decrease to contractual services expense of \$5,180 and an increase to depreciation expense of \$130.

Based on the aforementioned recommended adjustments, contractual services expense has been decreased by \$13,606, and depreciation expense increased by \$130.

Insurance: Consumers reported a test-period insurance expense of \$4,537. The Mayfield service contract requires Consumers to provide workers' compensation insurance for the Mayfield employees while they are performing services for Consumers.

To comply with the contract Consumers obtained workers compensation coverage for its office manager and the Mayfield employees in 1997. Based on the 1997 insurance premiums and the pro forma salaries recommended herein Staff determined that Consumers' workers compensation premium would be \$1,433,⁴ and therefore insurance expense has been increased by that amount.

Miscellaneous: Consumers proposed a pro forma level of miscellaneous expense of \$24,435, a reduction of \$3,718 from its actual test-period level of \$28,153. This

⁴	Waterworks Employee	\$37,399 x \$0.0339 =	\$ 1,268
	Clerical	\$15,576 x \$0.0300 =	+ 47
	Manual Premium		\$ 1,315
	Add: Ky Special Fund Tax		+ 118
	Pro Forma Workers Compensation Premium		<u>\$ 1,433</u>

adjustment reflects a reduction in the well and pump maintenance, and the removal of the nonrecurring engineering fee.

Consumers' proposed reduction to its well and pump maintenance expense was based on reducing its water production. A reduction in the water production might result in a decrease to maintenance expense; however, because there are numerous other factors that impact the level of maintenance expense it is virtually impossible to predict future levels based on the changes to any one factor. Consumers failed to show that there is a direct correlation between the amount of water produced and the level of pump and well maintenance expense incurred, therefore its proposed adjustment fails to meet the rate-making criteria of known and measurable.

An engineering study addressing Consumers' water supply situation that was conducted in the test-period is a non-recurring expenditure that should be amortized rather than expensed. Staff has determined that the engineering study should be amortized over 3 years, which results in a decrease to miscellaneous expense of \$1,962 and an increase to amortization expense of \$654.

Staff analyzed the test-period invoices and determined that Consumers had expensed the cost of a beacon light in the amount of \$793. Staff determined that the beacon light should be depreciated over 5 years. Removing the cost of the beacon light from test-period operating expenses and depreciating it over its estimated useful life results in a decrease to miscellaneous expense of \$793 and an increase to depreciation expense of \$79.

Consumers misclassified its 1996 property taxes of \$1,212 as a miscellaneous expense. Ordinarily, the incorrect classification of an expense would not affect the overall revenue requirement determination. However, this cost has been included in the calculation of pro forma taxes other than income tax expense. Accordingly, miscellaneous expense has been decreased by \$1,212.

Based on the aforementioned recommended adjustments, miscellaneous expense has been decreased by \$3,967, depreciation expense increased by \$79, and amortization expense increased by \$654.

Taxes Other Than Income Tax: Consumers' test-period payroll taxes were \$1,212. Staff has determined that the pro forma salaries and wages - employee expense recommended herein results in a pro forma FICA expense of \$1,192. Combining the pro forma FICA expense with the 1996 property taxes results in a pro forma taxes other than income tax expense of \$2,404,⁵ an increase of \$1,192 above the test-period amount. Therefore, Staff recommends that payroll tax expense be increased by \$1,192.

Depreciation: Consumers' test-period depreciation expense was \$36,905. Since the Commission granted Consumers a Certificate to construct its water main to Mayfield, an adjustment to reflect the associated depreciation expense would meet the rate-making criteria of known and measurable.

⁵ \$15,576 (Pro Forma Payroll) x 7.65% (FICA Rate) = \$1,192.

Consumers estimated that the new water main and the pump station will cost \$136,000, which includes land costs of \$1,000. Upon reviewing Consumers' depreciation schedule, Staff determined that similar water mains are being depreciated over 40 years. Using a 40 year depreciation life and construction cost of \$135,000, net of land, Staff arrived at its recommended increase to depreciation expense of \$3,375.

When this recommended adjustment is combined with the other recommended depreciation adjustments, it results in a total pro forma depreciation expense adjustment of \$3,743.⁶

Other Income

Interest Income: Consumers proposed a pro forma level of interest income of \$5,305, an increase of \$1,769 above its test -period level of \$3,536. Consumers moved its capital improvement account to a ready access account that yields a higher amount of interest income, which is the basis for this adjustment.

Moving the capital improvement funds to a ready access account might increase the short term interest earned; however, because there are numerous constantly changing market factors that impact the level of interest earned on an account over time, any short term gains would not be an accurate predictor of future expectations. For this

⁶	Meters and Services	\$ 159
	Meter Labor	130
	Beacon Light	79
	Mayfield Water Main	+ 3,375
	Total Depreciation Adjustment	<u>\$ 3,743</u>

reason Consumers' proposed adjustment is speculative, and therefore fails to meet the rate-making criteria of known and measurable. Staff recommends that Consumers' proposed adjustment be denied.

Operations Summary

Based on Staff's recommendations contained in this report, Consumers' operating statement would appear as set forth in Exhibit B to this report.

C. Revenue Requirement Determination

An approach frequently used by this Commission to determine revenue requirements for "non-profit" water utilities is debt service coverage ("DSC"). Staff recommends the use of this approach in determining Consumers' revenue requirement. Based on the existing and proposed loans Consumers' debt service will be \$34,995.⁷

Consumers determined that its pro forma operations support a revenue requirement of \$289,158, an increase in its revenue from water rates of \$90,000. If Consumers' requested revenue requirement is coupled with Staff's recommended operations the result is a DSC of 1.49x.⁸ Staff is of the opinion that a 1.2x DSC will provide a sufficient level of revenue for Consumers to meet all of its future operating

⁷ \$16,671 (Existing Loan) + \$18,324 (Proposed Loan) = \$34,995.

⁸

Consumers Revenue Requirement	\$ 289,158
Less: Recommended Operating Expenses	- 236,919
Net Income Available for Debt Service	\$ 52,239
Divided by: Debt Service	+ 34,995
DSC	<u>1.49x</u>

expenses and debt obligations. A DSC of 1.2x will result in a revenue requirement of \$278,913,⁹ for an increase in water revenues of \$74,760.¹⁰

D. Rate Design

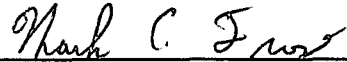
Consumers' current rate design is a seven (7) step declining rate block design for all customers. The first step or minimum bill includes 2,000 gallons of usage. A customer using more than 2,000 gallons is charged a declining per 1,000 gallon rate determined by six (6) volumetric steps.

Staff determined after review of the billing analysis submitted by Consumers and the billing analysis performed by Staff that a cost of service study should be performed. The purpose of a cost of service study is to design rates that reflect the costs of providing service for each customer class based on both quantity and characteristics of use. The cost of service study is contained in this report as Attachment B. The cost of service study was performed adhering to the guidelines set out by the American Water Works Association ("AWWA") Manual M-1.

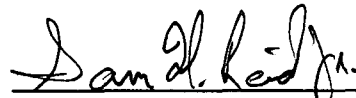
⁹	Debt Service	\$ 34,995
	Add: 0.2x Coverage (\$34,995 x 0.2) =	+ 6,999
	Staff's Recommended DSC	\$ 41,994
	Add: Pro Forma Operating Expenses	+ 236,919
	Recommended Revenue Requirement	<u>\$ 278,913</u>
¹⁰	Recommended Revenue Requirement	\$ 278,913
	Less: Interest Income	3,536
	Other Operating Revenues	- 5,304
	Revenue Requirement - Water Sales	\$ 270,073
	Less: Pro Forma Revenue - Water Sales	- 195,313
	Recommended Revenue Increase	<u>\$ 74,760</u>

The rate design recommended by Staff for Consumers' customers separated the customers by meter size and reduced the number of volumetric steps to five (5) for the 5/8" meter size. The recommended rate design will result in a more equitable recovery of costs for Consumers' customers.

E. Signatures



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Prepared by: Sam H. Reid, Jr.
Public Utilities Rate
Analyst, Principal
Communications, Water and
Sewer Rate Design Branch
Rates and Research Division

ATTACHMENT A
TO THE STAFF REPORT IN CASE NO. 97-223

NORMALIZED TEST YEAR
BILLING ANALYSIS SUMMARY
FOR CONSUMERS WATER DISTRICT
TEST PERIOD JAN. 1, 1996 TO DEC. 31, 1996

METER SIZE	BILLS	GALLONS	REVENUE
1 INCH	108	1,186,500	\$1,740.81
2 INCH	48	1,290,600	1,684.03
<u>5/8 INCH</u>	<u>16,497</u>	<u>84,635,700</u>	<u>191,888.27</u>
TOTAL	16,653	87,112,800	\$195,313.11

ATTACHMENT B
TO THE STAFF REPORT IN CASE NO. 97-223

COST OF SERVICE STUDY

ATTACHMENT B
TO THE STAFF REPORT IN CASE NO. 97-223

ALLOCATION OF PLANT VALUE

	Total	Commodity	Demand	Customer	Fire Protection
Structures and Improvements	22,311		22,311		
Water Treatment Equipment	129,959		129,959		
Transmission & Dist. Mains	269,676		269,676		
Services	60,177			60,177	
Meter & Meter Installations	65,235			65,235	
Hydrants	4,698				4,698
Subtotal	552,056		421,946	125,412	4,698
Percentage of subtotal	100.0%		85.7%	12.7%	1.6%
Office Furniture & Equipment (1)	8,009		6,861	1,017	131
Total	560,065		428,807	126,429	4,829

(1) General Plant allocated based on overall weighted allocation of all other plant.
Source 1996 Annual Report at 11

ATTACHMENT B
TO THE STAFF REPORT IN CASE NO. 97-223

ALLOCATION OF OPERATION AND MAINTENANCE EXPENSE

	TOTAL	COMMODITY	DEMAND	CUSTOMER
Water Purchased	\$86,210	\$86,210		
Electric Pumping	6,023	6,023		
Maintenance - Services, Meters, Hydrants	39,310			\$39,310
Salaries - Mains, Tower, Pumping	15,576		15,576	
Billing Supplies	2,295			2,295
Bad debt expense	578			578
Chemicals	5,922	5,922		
	<hr/>			
Subtotal	155,914	98,155	15,576	42,183
Subtotal less Commodity	57,759			
Allocation Percentage			26.97%	73.03%
Miscellaneous	24,186		6,522	17,664
Vehicle	136		37	99
Insurance, Bonds, Unemploy	5,970		1,610	4,360
Employee Benefits	1,944		524	1,420
Salaries - Administration	4,800		1,294	3,506
Rate case expense	917		247	670
	<hr/>			
TOTAL O & M	\$193,867	\$98,155	\$25,811	\$69,901

ATTACHMENT B
TO THE STAFF REPORT IN CASE NO. 97-223

ALLOCATION OF COST OF SERVICE

	Total	Commodity	Demand	Customer
Allocated Plant Value	\$560,065		\$428,807	\$131,258
Percentages	100.00%		76.56%	23.44%
Operation and Maintenance	\$193,867	\$98,155	\$25,811	\$69,901
Depreciation	40,648		32,478	8,170
Debt Service	41,994		32,152	9,842
Taxes Other Than Income Tax	2,404		1,841	563
General Water Service	\$278,913	\$98,155	\$92,282	\$88,476
Less: Other Revenue	5,304			5,304
Interest Income	3,536			3,536
Rev. Required from Rates	\$270,073	\$98,155	\$92,282	\$79,636

ATTACHMENT B
TO THE STAFF REPORT IN CASE NO. 97-223

ALLOCATION OF COSTS OF SERVICE TO RATE BLOCKS
AND CALCULATION OF WATER RATES

	Total	First 2,000 Gallons	Next 8,000 Gallons	Next 10,000 Gallons	Next 30,000 Gallons	Over 50,000 Gallons
Actual Water Sales						
Thousand Gallons	87,112,800	29,594,600	47,867,000	5,528,100	2,531,200	1,591,900
Percent	100%	33.97%	54.95%	6.35%	2.91%	1.83%
Weighted Sales for Demand:						
Thousand Gallons	156,004,500	59,189,200	83,767,250	8,292,150	3,164,000	1,591,900
Percent	100%	37.94%	53.70%	5.32%	2.03%	1.02%
Allocation for Volumetric Costs:						
Commodity	\$98,155	\$33,346	\$53,935	\$6,229	\$2,852	\$1,794
Demand	92,282	35,012	49,551	4,905	1,872	942
Total Customer Cost	\$190,437	\$68,358 79,636	\$103,486	\$11,134	\$4,724	\$2,735
Total divide by 16,653 bills		\$147,994 \$8.89				
Rate per 1,000 gallons			\$2.16	\$2.01	\$1.87	\$1.72

ATTACHMENT B
TO THE STAFF REPORT IN CASE NO. 97-223

SUMMARY OF RECOMMENDED REVENUE
FOR CONSUMERS WATER DISTRICT

METER SIZE	BILLS	GALLONS	REVENUE
1 INCH	108	1,186,500	\$4,465.86
2 INCH	48	1,290,600	3,347.17
<u>5/8 INCH</u>	<u>16,497</u>	<u>84,635,700</u>	<u>262,485.80</u>
TOTAL	16,653	87,112,800	\$270,298.82

RECOMMENDED MONTHLY RATES

5/8" METER

FIRST	2,000	\$8.80 Minimum Bill
NEXT	8,000	2.16 per 1,000 gallons
NEXT	10,000	2.00 per 1,000 gallons
NEXT	30,000	1.85 per 1,000 gallons
OVER	50,000	1.55 per 1,000 gallons

1" METER

FIRST	10,000	26.16 Minimum Bill
NEXT	10,000	2.00 per 1,000 gallons
NEXT	30,000	1.85 per 1,000 gallons
OVER	50,000	1.55 per 1,000 gallons

2" METER

FIRST	20,000	46.08 Minimum Bill
NEXT	30,000	1.85 per 1,000 gallons
OVER	50,000	1.55 per 1,000 gallons

ATTACHMENT B
TO THE STAFF REPORT IN CASE NO. 97-223

COMPARISON OF RATES AT
DIFFERENT USAGE LEVELS

MONTHLY USAGE	MONTHLY	MONTHLY	PERCENT	MONTHLY	PERCENT
	BILL AT	BILL AT	INCREASE	BILL AT	INCREASE
	CURRENT	PROPOSED	OVER	RECOMMENDED	OVER
	<u>RATE</u>	<u>RATE</u>	<u>CURRENT</u>	<u>RATE</u>	<u>CURRENT</u>
2,000	\$5.20	\$7.00	34.6%	\$8.80	69.2%
5,000	12.10	17.50	44.6%	15.28	26.3%
10,000	20.10	30.50	51.7%	26.08	29.8%
20,000	33.10	52.50	58.6%	46.08	39.2%
30,000	43.10	70.50	63.6%	64.58	49.8%
50,000	63.10	106.50	68.8%	101.58	61.0%
75,000	80.60	141.50	75.6%	140.33	74.1%
100,000	98.10	176.50	79.9%	179.08	82.5%
150,000	123.10	239.00	94.2%	256.58	108.4%
200,000	148.10	301.50	103.6%	334.08	125.6%

Note: Average customer (5,000 gallons) bill will increase from \$12.10 to \$15.28 (26.3%)

ATTACHMENT C
TO THE STAFF REPORT IN CASE NO. 97-223
STAFF'S RECOMMENDED PRO FORMA OPERATIONS

	Actual Operations	Pro Forma Adjustments	Adj Ref.	Pro Forma Operations
Operating Revenues				
Water Sales	\$193,854	\$1,459	A	\$195,313
Other Water Revenues	5,304	0		5,304
Total Operating Revenues	\$199,158	\$1,459		\$200,617
Operating Expenses				
Operation & Maintenance:				
Salaries & Wages - Employees	\$15,636	(\$60)	B	\$15,576
Salaries & Wages - Commissioner	3,000	1,800	C	4,800
Employee Pensions & Benefits	1,862	82	D	1,944
Purchased Water	0	86,210	E	86,210
Purchased Power	14,488	(8,465)	F	6,023
Chemicals	23,656	(17,734)	G	5,922
Materials & Supplies	8,639	(6,344)	H	2,295
Contractual Services	52,916	(13,606)	I	39,310
Transportation	136	0		136
Insurance	4,537	1,433	J	5,970
Regulatory Commission Exp.	263	0		263
Bad Debt Expense	578	0		578
Miscellaneous	28,153	(3,967)	K	24,186
Total Operation & Maintenance	\$153,864	\$39,349		\$193,213
Depreciation	36,905	3,743	L	40,648
Amortization	0	654	M	654
Taxes Other Than Income Tax	1,212	1,192	N	2,404
Total Operating Exp.	\$191,981	\$44,938		\$236,919
Utility Operating income	\$7,177	(\$43,479)		(\$36,302)
Other Income & Deductions:				
Interest & Dividends	3,536	0		3,536
Net Income Available for Debt Service	\$10,713	(\$43,479)		(\$32,766)